A STUDY OF THE SUCCESS STORY OF PATANJALI: AN AYURVEDIC BRAND IN FMCG MARKET

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ABSTRACT

Many brands have existed for decades in FMCG sector. Some brands such as Colgate, Dabour, Maggi, and Nestle have become part of household name. But a brand, which is new in the market ie., Patanjali has started shaking these household names. In a short span of time, Patanjali has achieved a turnover of 5000 crores and has started eating market share of bigger FMCG brands in many products. This paper attempts to analyze the growing trends of Patanjali brand and to analyse the factors that are contributing to the growth of Patanjali brand.

Keywords: Patanjali; FMCG; Ayurveda

INTRODUCTION

In a country like India, the Fast-Moving Consumer Goods (FMCG) market is amongst the most difficult markets to crack as there is no lack of competition in this market and conquering distribution remains an uphill task. However, the Patanjali success story stands out as an exception. Apart from its massive surge in the brand’s revenue over the past five years, the herbal product brand has also managed to achieve brand loyalty which is something that remains a distant dream for most FMCG giants too. Although selling products at lower rates isn’t exactly considered a pricing strategy, but building an ever growing loyal customer base is a business strategy bar none. Patanjali has managed to achieve exactly this within a very short span of time. In 2007, Acharya Balkrishna, companion of Baba Ramdev started Patanjali Ayurved Limited with an aim to popularize Ayurveda, the ancient medical science of India. Patanjali now owns more than 15,000 exclusive outlets that sell healthy and organic consumer products. It is involved in many product categories of personal care and food such as soaps, shampoos, dental care, balm, skin creams, biscuits, ghee, juices, honey, flour, mustard oil, masala, sugar and much more. Although, Patanjali began with very few stores and limited distribution network, but today this company has put some of the mighty FMCG players in dilemma. They are trying to deliberate on the rapid escalation of the company into India’s FMCG market. Initially, when the company introduced its products, hardly any market player took notice. No one could have possibly imagined that it might become a potential business threat in future. It was considered to be one other very small scale ‘organic food maker’; but it has put all FMCG marketers into amaze. Patanjali will technically be equal to Emami brand - Rs 1820 Crore as per the estimates.

OBJECTIVES OF STUDY

1. To analyze the growing trends of Patanjali brand.
2. To analyse the factors that are contributing to the growth of Patanjali brand.
REVIEW OF LITERATURE

In a 57-page report released in January, IIFL (India Info line Finance Limited) has reported that Patanjali Ayurved Ltd has, in a short span of less than a decade, recorded a turnover higher than what several companies have managed to achieve over several decades. There is no doubt that Patanjali is a disruptive force in the FMCG space and is a credible threat for the incumbents. IIFL is of the view that the growing appeal of Ayurveda and ‘natural’ products, along with factors like low price and allowing consumers expressing being Indian in an increasingly nationalistic environment, will help Patanjali to boost its sales in the future. IIFL states that Patanjali brand’s highest impact will be on Colgate, since it has gained substantial traction in oral care; next most affected would be Dabur, due to multiple category overlaps. ITC, Godrej Consumer Products Ltd and Nestle are least likely to be impacted due to few common categories. Their report suggests that by the year 2020, Patanjali will have high market shares in categories such as honey (35%), ayurvedic medicine (35%) and ghee (33%) and will have eight categories with turnover greater than Rs.10 billion (Rs.1,000 crore). Success may be limited in chocolates (4%), detergents (4%) and noodles (4%). Ghee, biscuits and ayurvedic medicine will be the main contributors to Patanjali turnover.

Bonanza Portfolio, in a note issued on 8th January, said that the FMCG industry has become more competitive with the launch of Patanjali products and that Patanjali is set to eat market share of some of the FMCG majors present in oral care, hair care and OTC (over the counter) products with its economical pricing across its brand portfolio.

According to Credit Suisse, Patanjali has gained significant traction in the toothpaste category with fairly limited distribution. It said that industry data indicated that the brand has a 4-5% market share, despite having fairly limited distribution. Credit Suisse downgraded Colgate-Palmolive India to ‘neutral’ due to the traction that Patanjali is generating in the dental care segment. A Credit Suisse report released last month said that Colgate’s volume growth has seen a significant drop in FY16, which is divergent from peers who are seeing steady volume growth. The key reason in our view is the strong traction that Patanjali has gained in the category.

Baba Ramdev when interviewed had said that this hasn’t been done for business but for welfare. It's not a business. In five years, swadeshi products of Patanjali will be taken to such great heights that foreign companies will dwarf in front of them. We are giving a tough fight to foreign companies in each and every segment - be it medicines, herbal cosmetics or foods.

Acharya Balkrishna, managing director of Patanjali Ayurved commented that we never had a business plan. We also don't know markets or marketing. But what we know is serving the people by providing them high-quality products at attractive prices.

Growing Market Trends of Patanjali

Patanjali brand’s growth story has been analyzed from time to time. The company’s revenues for the past five financial years have been summarized below with the help of a table.

<table>
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<tr>
<th>YEAR</th>
<th>TURNOVER IN RUPEES (CRORES)</th>
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<tbody>
<tr>
<td>2011 - 2012</td>
<td>446</td>
</tr>
<tr>
<td>2012 - 2013</td>
<td>850</td>
</tr>
<tr>
<td>2013 - 2014</td>
<td>1200</td>
</tr>
<tr>
<td>2015 - 2016</td>
<td>5000</td>
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Source: http://localpress.co.in/2016/04/patanjali-may-beat-hul-become-biggest-fmcg-brand-india-2018-19/

The company has massively growing over the past five years and has no plans of slowing down in 2016-17. In a press meet, Baba Ramdev had said that the company is projecting revenue of over Rs 10,000 crore in the current fiscal year. Currently, Patanjali is clearly the fastest growing FMCG firm in...
the country, with the widest product portfolio. The Future Group, which announced its tie-up to stock Patanjali’s wide range of products last year said that it expects to sell nearly Rs 1,000 crore (Rs 10 billion) worth of Patanjali products. Patanjali’s revenue is currently larger than or equal to domestic revenues of some of the FMCG giants like Dabur, Emami, Marico and Godrej Consumer. 30-35% of the firm’s revenue comes from ghee followed by healthcare - 20% and toothpaste Dant Kanti - 8%.

Factors Contributing To The Growth of Patanjali

Constantly Growing Profit Making Venture - While most startups in India are struggling with monetizing their ventures, Baba Ramdev has clocked a turnover of about Rs.1,200 crore, up from about Rs. 850 crore a year earlier and Rs. 450 crore in the fiscal year 2012. And in 2014-15, Patanjali had a turnover of Rs 2,000 crore, making a remarkable 67% jump from the previous fiscal.

Best Personnel Hired - Baba Ramdev has made every effort to hire the best and some of the most qualified people who know their stuff. Experts in the field such as Masters in Science, Biology, etc are hired by Patanjali.

Good Understanding of the Market -Baba Ramdev has a firm grip on his biggest market as he connects with his target audience through the medium of our national language - Hindi. Also, his Facebook posts alternate between Hindi and English, thereby reaching out to the Hindi speaking population, which is the largest homogeneous set in the country that is estimated to be about 12 million people.

Connects with the Target Audience- A successful entrepreneur believes in leveraging his/her personality for the brand and establishing a good connection with the people. Ramdev Baba has over 5000 twitter followers, and keeps them engaged with regular updates and replies with respect to yoga as well as Patanjali. Baba Ramdev personally endorses the Patanjali products and encourages people to buy it by creating a sense of civic consciousness to buy swadeshi goods.

Lower Pricing Strategy- Although most FMCG giants fix higher prices in order to target high income groups, Patanjali has fixed its prices considerably lower as compared to the prices of these FMCG giants without compromising on the quality of these products. This makes Patanjali products attractive not only to lower income groups but also to higher income groups as well.

A Complete Swadeshi Product For Indians- India is a country with a population of more than 1 billion population, 70% of which resides in rural and semi-urban areas, where the reach and availability of foreign and MNC brands is limited, and the prices of their products are beyond affordability. However, the Patanjali range of products, have been made completely in India and are offered at low prices is the need of the hour. According to a study, some of the national and multinational fast moving consumer goods (FMCG) brands have started facing close competition from home-grown, and an absolutely ‘Swadeshi’ competitor.

Effective Use of E-Commerce- Although the Patanjali website may not have a flat, minimal design, high resolution photos, icons, and a pretty UX, however it has been in existence since 2011- a time when e-commerce in India had just started and players like Flipkart, Amazon and Myntra had started gaining recognition. The Patanjali website is well-stocked and updated for the convenience of its visitors.

Clear Vision and Proper Use of Market Opportunities- Baba Ramdev has many a times during his yoga sessions and interview expressed his views against Maggi and other foreign brands of Colas which he considered harmful and unhealthy. Months ago, when traces of harmful substances like lead and MSG were found in Maggi and the country was battling with the possibility of their favourite 2 minute noodles facing extinction soon, in no time Baba Ramdev jumped in on the opportunity and publicly announced that a safe, no maida version of the Noodles would be launched by Patanjali.

Marketing to Overseas Customers- Baba Ramdev’s Ayurvedic range of products has a huge market abroad as well. An Ayurvedic medicine company in the name of Herbo Ved in the USA has been
acquired by the Yoga Guru for an undisclosed sum to sell the new products abroad.

Good Civic Sense- Some of the reports claim that Patanjali aims to reinvest all of its profits over the next 5 years into non-profit social and development causes. Big retailers like Reliance Retail, Big Bazaar, Hyper City and Star Bazaar are also stocking Ramdev’s FMCG products as it is in growing demand from consumers. Although Patanjali products are already available at its own Patanjali website; they are also available at e-commerce sites like Big Basket. Baba Ramdev is also aiming for Amazon as well. It can be said that nothing is impossible for Yoga Guru Baba Ramdev including the possibility of being recognized as a mega-successful entrepreneur in the future.

CONCLUSION

While most of the bigger companies are struggling to get their sales, profits and market share, Patanjali is the learning lesson for those companies, on how slowly and gradually it is capturing the market of these big companies. The strategy of Patanjali is simple and not very fancy. It has penetrating in the market and has become a 5000 crore company. It has already set higher targets for the next few years in the market. If it continues to grow at such scale, in no time, the big companies will have to face tough competition.

RECOMMENDATIONS

1. Although Patanjali already sells its products via a handful of online websites like BigBasket, showcasing its products on mainstream e-commerce websites like Amazon will be a game changer for its revenue.
2. Also, Patanjali can make efforts to spend some of its revenue earned in gathering and analyzing data regarding patients. This will enable Patanjali to market its ayurvedic medicines effectively to its patients.
3. Patanjali can also make efforts to increase its revenue by marketing its medicines and FMCG products abroad as it strikes a perfect balance between price and quality.

REFERENCES